

Message Text

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ACTION EB-08

INFO OCT-01 AF-10 ISO-00 L-03 NSC-05 IO-14 AGRE-00
AID-05 CIAE-00 COME-00 FRB-01 INR-07 NSAE-00
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UNCLAS ABIDJAN 8454

E.O. 11652: N/A
TAGS: AFDF, AFDB, EAID, EFIN
SUBJECT: AFDF PROPOSED ETHIOPIAN ROAD PROJECT

REF: (A) ABIDJAN 8367 (B) TREAS 1901

1. THERE FOLLOWS DESCRIPTION OF PROPOSED AFRICAN DEVELOPMENT FUND (AFDF) ETHIOPIAN JIMMA-CHIDA ROAD PROJECT REQUESTED REFTEL B. PROJECT IS TENTATIVELY SCHEDULED FOR DISCUSSION AT SEPTEMBER 19 DIRECTOR'S MEETING. HOWEVER, MANAGEMENT INDICATES THAT IT MAY BE NECESSARY TO POSTPONE CONSIDERATION UNTIL OCTOBER TO ALLOW TIME TO FINALIZE TERMS OF LOAN AGREEMENT.

2. PROPOSED \$6.3 MILLION LOAN WOULD FINANCE 94 PERCENT OF FOREX COST OF CONSTRUCTING A 6.5 METER WIDE GRAVEL SURFACE ROAD, 83 KM LONG, BETWEEN JIMMA AND CHIDA IN THE KEFA REGION. THE PROPOSED ROAD WOULD SUPPLANT AN EXISTING ROUTE WHICH IS BADLY ERODED AND IN MANY AREAS PASSABLE ONLY ON FOOT AND BY ANIMAL TRANSPORT. THE ALIGNMENT IS POOR AND GRADIENTS ARE STEEP.

3. THE PROPOSED PROJECT ROAD RUNS SOUTH AND EAST FROM JIMMA INTO AGRICULTURAL AREA WHICH IS APPROXIMATELY 50 PERCENT CULTIVATED. THE AREA OF INFLUENCE OF THE ROAD IS CONSIDERED TO BE AT LEAST UNCLASSIFIED

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10 KM ON EITHER SIDE. THE ZONE OF INFLUENCE HAS A POPULATION OF APPROXIMATELY 52,000 PEOPLE. POPULATION GROWTH IS PROJECTED AT 2.5 PERCENT PER ANNUM.

4. THE MAJOR OBJECTIVE OF THIS PROJECT IS TO PROVIDE A BETTER ROAD SERVICE IN SUPPORT OF AGRICULTURAL DEVELOPMENT. THE MAIN CASH CROPS IN THE REGION ARE MAIZE, WHEAT, TEFF, AND BARLEY.

AGRICULTURAL TECHNIQUES ARE PRIMITIVE. IN 1975, THE GOVERNMENT ESTABLISHED AN AGRICULTURAL EXTENSION SERVICE CENTER AT SHEKI, A SMALL MARKETING CENTER 20 KM SOUTH OF JIMMA ALONG THE PROJECT ROAD. THE OPERATION OF THE CENTER HAS SUFFERED DUE TO DIFFICULTY OF ACCESS FROM JIMMA AND DIFFICULTY IN CONTACTING FARMERS IN THE PROJECT ZONES. PRESENTLY, THE CENTER STAFF MUST TRAVEL ON FOOT OR BY MULE. AFTER THE PROJECT ROAD IS CONSTRUCTED, THE GOVERNMENT PLANS TO ESTABLISH TWO MORE AGRICULTURAL EXTENSION CENTERS, EACH CAPABLE OF SUPPORTING 2,000 FAMILIES AT FULL DEVELOPMENT.

5. THE AREA UNDER CULTIVATION IS EXPECTED TO INCREASE BY 80 PER-CENT WITHIN TEN YEARS. AS A RESULT OF THE PROJECT ROAD, AGRICULTURAL PRODUCTION IS EXPECTED TO INCREASE BY 2,000 TONS THE FIRST YEAR AFTER PROJECT COMPLETION. AFTER TEN YEARS INCREMENTAL PRODUCTION IS EXPECTED TO BE 50,000 TONS. THE INCREASE IN NET REVENUES OF FARMERS IN THE PROJECT AREA IS ESTIMATED AT \$289 THOUSAND FOR THE FIRST YEAR AND \$6.7 MILLION IN THE TENTH YEAR. UNTIL NOW, FEW GOVERNMENT BENEFITS HAVE PENETRATED TO THE PEOPLE OF THE AREA. HOWEVER, WHEN AN ALL-WEATHER ROAD IS OPENED, PUBLIC SERVICES SUCH AS A POSTAL SYSTEM, EDUCATION, HEALTH SERVICE AND INFORMATION ON ECONOMIC AND SOCIAL DEVELOPMENT ARE PROJECTED TO BE AVAILABLE TO THE AREA. ASSUMING A PROJECT LIFE OF TEN YEARS, THE ECONOMIC RATE OF RETURN IS 13 PERCENT. OVER 20 YEARS, THE RATE WOULD BE 20 PERCENT.

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